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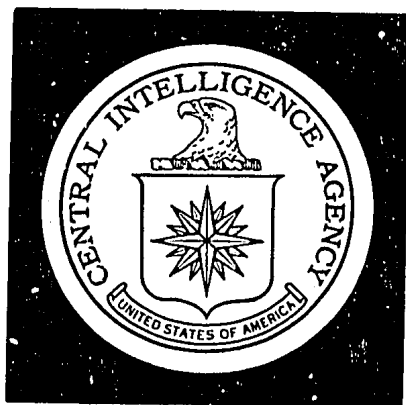
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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

The Economic Situation In Cambodia

Secret

ER IM 71-169
August 1971

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
August 1971

INTELLIGENCE MEMORANDUM

THE ECONOMIC SITUATION IN CAMBODIA

Highlights

1. Inflation accelerated greatly in Cambodia starting about mid-May, after some four and a half months of relative price stability, but by mid-July, prices of nearly all foodstuffs had peaked and, by the end of the month, they had dropped substantially below their high points because of increased supplies from the northwest. Seasonal factors and speculation have determined the timing of price increases, which occurred in two spurts -- one in late fall and the other in May-June. A doubling in the money supply in the past year, however, is the principal cause of the increase in near doubling of the price level in that period.

2. Growing popular dissatisfaction with the government's system for distributing rationed goods to Phnom Penh residents has been reported. Large quantities are diverted to the black market.

3. The black market value of the riel deteriorated steadily between mid-May and mid-July but made a significant recovery in the last two weeks of July. The price of a US dollar in Phnom Penh dropped to 230 riels on 26 July (the official rate is 55.5 riels per US \$1), after having been as high as 370 riels earlier in the month.

4. The United States has tentatively decided to turn down a Cambodian government request for PL-480 rice, at least for this year, although rice may still be purchased under the Commodity Import Program (CIP).

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the existence of large stockpiles of rice in Cambodia. Appropriate

Note: This memorandum was prepared by the Office of Economic Research. Its focus is on developments in the latter part of June and the month of July.

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changes in the government's pricing policy would undoubtedly stimulate marketing of these stocks, possibly enough to cover consumption needs until after the next harvest. There is, however, widespread pessimism regarding prospects for next season's rice crop. If current estimates of a 50% decline in planting in Battambang prove anywhere near accurate, large-scale rice imports will be necessary in 1972.

5. Commercial shipments over Route 5 declined substantially during June, more because of increasingly heavy extortions by FANK troops at checkpoints along the route than to enemy activity. A Mixed Economic Committee, formed to help resolve the transport crisis, thereupon established a system of armed truck convoys which has been highly successful thus far. Enemy harassment and interdictions sharply curtailed shipments on Route 4 in June and July, but Route 1 sustained heavy traffic in both months.

6. Petroleum deliveries to Phnom Penh increased sharply in June and July, following a substantial expansion of the chartered fleet of petroleum carriers plying the Mekong. Deliveries reached record proportions in both months.

7. Charts on prices and currency in circulation; imports, exports, and gold and hard currency reserves; and government borrowing from the Banque Nationale du Cambodge follow the text.

Discussion

Recent Price Changes

8. Inflation accelerated greatly in Cambodia starting about mid-May, after some four and a half months of near price stability, but tapered off after mid-July. The price level, ^{1/} which rose 49 percentage points from March through December 1970, increased another 37 percentage points by the end of June of this year for a total increase of some 86 percentage points in 15 months. The increase in food prices has been even larger -- 82 percentage points from March through December 1970, and another 36 percentage points in May and June.

9. Among the factors contributing to the May and June price increases were hoarding, enemy harassment of transport, and heavy exactions on commercial traffic at FANK outposts on major routes. ^{2/} In

1. As measured by the Statistical Institute's general price index.

2. For details, see the section on Transport.

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addition, the government's increase in petroleum prices on 21 May increased production and distribution costs and provided retailers with a plausible excuse for some hefty price hikes. The move also triggered public speculation and sharp protests in the National Assembly and is expected to be a central issue during the upcoming interpellation of Finance Minister Sok Chhong. The new petroleum prices incorporating the war tax on US AID commodities raised the retail price of gasoline, already subject to heavy taxes, to about seven times its cost c.i.f. Phnom Penh. The following tabulation shows the recent changes in fixed prices on fuels.

	<u>Riels per Liter</u>	<u>Percentage Increase</u>
Gasoline	12.61 to 16	27
Kerosine	4.81 to 9	87
Gas oil	4.83 to 8	66
Diesel oil	2.45 to 5	104
Fuel oil	1.48 to 3	103

10. The availability of some commodities in Phnom Penh was probably reduced somewhat by increased smuggling, although the effects of illicit trade on overall supplies were probably not large. Because of a shift in the riel/piaster exchange rate in favor of the piaster, South Vietnamese traders were able to purchase goods at prices far below their cost in South Vietnam. A brisk trade in such items as dried fish, bananas, peppers, onions, garlic, and second-quality rice (purchased at government-controlled prices) apparently developed between the capital and the military base at Neak Luong, where the goods were being sold to South Vietnamese forces. The long-standing illegal cross-border traffic in Cambodian livestock presumably remained extant.

11. A compilation of prices of selected commodities in Phnom Penh markets from mid-May through July (see Table 1) shows sharp increases in a number of commodities beginning in late May. These can be attributed in part to seasonal factors, since the main fishing and vegetable season ends in May when rice planting gets under way. Most prices continued to increase during the latter part of June but at a much lower rate. By mid-July, prices of nearly all foodstuffs had peaked, and, probably because Route 5 convoys were regularly reaching the capital, prices of most items had dropped substantially below their high point by the end of the month, beef and pork being significant exceptions. Throughout July, beef remained at the high price reached early in the month, while pork prices continued rising steadily into the last week of July, reportedly because rice convoys left

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Table 1
Prices of Selected Commodities in Phnom Penh a/
1971

Commodity	Unit	Riels											Percent	b/
		15 May	30 May	15 Jun	25 Jun	30 Jun	6 Jul	12 Jul	15 Jul	19 Jul	22 Jul	26 Jul		
Cereal														
White rice No. 1	Kilogram	6.5	8.8	9	N.A.	N.A.	N.A.	N.A.	16	13.3	13.3	13.3	205	
White rice No. 2	Kilogram	6.3	7.5	8	7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	106	
Fish														
Fresh-water	Kilogram	60	75	75	85	100	110	110	120	110	100	100	167	
Ocean	Kilogram	50	65	95	130	120	130	170	170	150	130	130	260	
Dry	Kilogram	175	180	185	180	180	180	200	200	180	180	180	103	
Meat and poultry														
Pork	Kilogram	150	180	200	260	200	200	220	240	230	240	250	167	
Beef	Kilogram	90	90	100	120	120	140	140	140	140	140	140	156	
Chicken	Unit	110	150	170	185	195	210	230	230	220	220	210	191	
Duck	Unit	100	185	190	210	200	200	210	190	180	200	180	180	
Chicken eggs	Unit	6	6	6	7	7	7	8.5	9	9	9	9	150	
Duck eggs	Unit	6	6.5	6	7	7	7	8.5	9	9	9	8.5	142	
Fruit														
Oranges	Dozen	100	110	90	100	120	80	130	130	120	110	120	120	
Green bananas	Bunch	25	25	30	30	30	38	45	50	35	45	40	160	
Ordinary bananas	Bunch	15	15	15	15	16	18	25	25	20	30	30	200	
Vegetables														
Tomatoes	Kilogram	8	20	45	35	35	50	60	40	30	30	30	375	
Manioc	Kilogram	5	8	8	10	8	10	12	10	7	7	7	140	
Green beans	Kilogram	30	40	40	40	35	40	40	35	30	30	30	100	
Pepper	Kilogram	150	150	180	190	180	250	420	450	420	420	420	280	
Local products														
Candles	Pair	8	-	-	-	-	-	20	25	25	30	30	375	
Matches	Box	1.5	-	-	-	-	-	2	3	3	3	3	200	
Rubber slippers	Pair	25	-	-	-	-	-	60	90	90	90	85	340	
Cigarettes	Box	12	-	-	-	-	-	18	18	18	18	18	150	
Charcoal	Sack	215	-	-	-	-	-	220	250	260	260	270	126	

a. Compiled from 5 Embassy sources.

b. Prices expressed for 26 July as a percentage of 15 May prices.

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a shortage of trucks for carrying livestock. While prices of locally manufactured goods stabilized during the last week of July, they were, nevertheless, considerably above their mid-point levels. Shortages and high cost of raw materials were given by Embassy sources as reasons for the increases. Prices of selected commodities to be imported under the US AID program also increased substantially after mid-June (see Table 2).

Long-Term Price Trends

12. There was little evidence of any strong inflationary trend in Cambodia until the last three months of 1970. Prior to this time consumer confidence seems to have held up. A sharp increase in the August price level and its subsequent decline in September was attributed for the most part to a temporary shortage of meat arising from stepped-up military action to the northwest of Phnom Penh.

13. From October to December, however, prices rose sharply. The increases during these pre-harvest months were partly explained by seasonal factors and by grim predictions for the coming harvest that turned out to be far off the mark. Rising prices no doubt also reflected the fundamental changes on the demand side resulting from an influx of refugees and changes in the supply side related to insecurity in the countryside and a shortage of transport.

14. Ample food supplies in the market following the harvest were undoubtedly the decisive factor in keeping prices fairly stable for the first four months of 1971. Starting about mid-May, however, inflation accelerated greatly, once again partly for seasonal reasons and in response to speculation as to a poor harvest next season and a further depreciation of the riel.

15. Although inflation has come in spurts which reflect seasonal and speculative factors, its underlying cause is clearly the rapid growth of the money supply. The money supply more than doubled within a year following the events of March 1970, and its growth over the period has been fairly steady. Although the overall increase in the price level is less than 100%, according to the official indexes, these are of doubtful validity. Except for rice, price increases for most individual food items appear to have vastly exceeded the official average. But the official price of rice is the controlled price, and an increasing share of rice sales probably has taken place at the free market price, which has risen to double the official price.

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Table 2
Prices of Imported Commodities in Phnom Penh a/
1971

Commodity	Unit	Riels					Percent <u>b/</u>
		14 Jun	2 Jul	13 Jul	19 Jul	26 Jul	
Cement	Sack	540	600	650	780	840	156
White cement	Sack	480	560	540	640	730	152
Newsprint paper	Ream	400	430	550	550	550	138
Book paper	Ream	1,800	2,200	3,000	3,000	3,000	167
Kraft paper	Ream	2,650	3,500	5,000	5,000	5,000	189

a. Compiled from US Embassy sources.

b. Prices for 26 July expressed as a percentage of 14 June prices.

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Rationing Problems

16. Growing popular discontent with the performance of the GKR's "ilot" system as a mechanism for distributing rationed goods has been reported. The ilot system - a population control device used by the Communists as well as by the GKR - employs the principle of collective responsibility to enhance local security. Each ilot consists of a block of 100 houses subdivided into "sous-ilots" of 50 houses and then into 10-house units. Ilot chiefs, who in some areas are popularly elected but more frequently are government appointees, are meant to provide a liaison between the lower administrative echelons of the government and the general populace.

17. Ilots in Phnom Penh have been given the additional responsibility of distributing rationed items. To obtain rationed commodities, an individual must obtain signatures of the heads of his 10-family unit, the sous-ilot, and ilot before submitting his request at the ilot warehouse. Large quantities of rationed items, however, are siphoned off and sold to merchants, and only a portion of the goods meant for residents actually reaches them. Consequently, citizens with validated requisitions frequently find the items unavailable at their ilot warehouse. This necessitates buying from merchants at substantially higher prices. A comparison between ilot and free market prices as of the last week of June is given below:

	<u>Riels per Kilogram</u>	
	<u>Ilot Price</u>	<u>Free Market Price</u>
White sugar	29	65-100
Salt	3.5	10
Wheat flour	14	22
White rice No. 2	6.7	18

18. The Communists have lost no time in exploiting popular discontent with the rationing system in clandestine propaganda broadcasts, tagging ilot chiefs "agents of coercion who will not fail to fish in troubled waters."

Black Market Currency

19. The black market value of the riel deteriorated steadily between mid-May and mid-July but made a significant recovery in the last two weeks of July. As shown in Table 3, the value of the riel fell precipitously from

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Table 3

Black Market Rates for the Riel in Phnom Penh a/
1971

Riels per US \$1					
	<u>Day</u>	<u>Price</u>		<u>Day</u>	<u>Price</u>
May	10	140	July	12	340
	16	180		13	360
	19	240		14	260
June	21	250		15	195
	25	210		16	195
	29	255		17	250
July	1	350		18	250
	2	320		19	260
	4	340		20	260
	6	360		21	180
	7	370		22	180
	8	365		23	210
	9	350		24	210
	10	370		25	230
	11	360		26	230

a. Compiled from US Embassy sources.

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about 140 riels per US \$1 on 10 May to about 240 riels per US \$1 on 19 May, where it held fairly steady until the last week of June. It then plunged again, reaching a low of 370 riels per US \$1 on 7 and 10 July. (In border markets, riels for a time were actually exchanging for piasters at a discount.) By 26 July, however, the price of a US dollar in Phnom Penh had dropped back to 230 riels.

20. The significance of specific changes in the black market rate is often difficult to assess, since the foreign exchange market is thin and easily influenced by rumor. The sharp drop in the exchange rate during May came on the heels of pessimistic projections by the International Monetary Fund (IMF) about the future of Cambodia's economy, setting off rumors of an imminent devaluation of the riel. A police crackdown on moneylenders and a threat by the Finance Minister to control bank account withdrawals added to the speculation. Demonstrations against the Chinese encouraged the flight of capital. Speculation against the riel subsided briefly in the latter part of June, but resumed in July. A possible contributing factor was the Cambodian government's refusal to authorize foreign exchange to the country's seven airline companies until they merged into two or three companies with reputable management. As a result, the airlines became the principal buyers of foreign exchange on the black market in order to pay aircraft rental fees and pilot salaries. Another factor feeding speculation was the rice shortage.

21. By mid-July the value of the riel began to increase appreciably, again probably because of several rumors that injected some optimism into the business community. Merchants were selling some of their foreign exchange holdings in order to have riels for purchases under the CIP, reflecting a new confidence that CIP commodities would be arriving in the near future. (As orders under the US AID program are approved, importers are required to deposit immediately from 50% to 80% of the purchase price of goods ordered in riels.) By 14 July, some moneychangers had become reluctant to purchase large amounts of US currency, in marked contrast to the steady demand for dollars during the previous week.

Rice

22. The availability of rice in Phnom Penh markets improved somewhat during the last two weeks of July. First-quality rice, which disappeared from stores on 19 June, reappeared in retail outlets about 15 July. Since that time the price of first-quality rice has dropped significantly, from 16 to 13.3 riels per kilogram, which, nevertheless, is more than double the 15 May price. Second-quality rice continued to be made available from government stockpiles through the end of July. A determined effort to move rice via military convoys accounted for the

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improved rice situation, although, according to official stock figures, the effort was not enough to maintain the level of reserves in the capital. Stocks in the Phnom Penh warehouses of public and private wholesalers amounted to only about 42,000 tons on 23 July, compared with some 50,000 tons on 24 June.

23. The rice shortage that currently plagues Phnom Penh is the result primarily of speculation in the wake of the exchange depreciation and the enormous price level increases of May and June. Rice disappeared from shops virtually in a matter of hours, despite the fact that the capital's rice reserves at the time were not substantially below their average level for the previous several months.

24. A basic factor giving rise to hoarding of rice is the official rice pricing policy. The government, attempting to keep the price of rice stable in an inflationary environment, has imposed retail price ceilings in Phnom Penh. Merchants, after having paid the increased cost of transport, including sizable FANK exactions, have refused to sell at the artificially low prices. At the same time farmers are not selling to the government. In Battambang, according to Embassy sources, whatever rice is now sold goes into private channels because the government has not raised procurement prices. With its stocks not being replenished, it is obvious that the government cannot supply the Phnom Penh market indefinitely at the official price.

25. The Cambodian government, under increasing public pressure to eliminate shortages and concerned about future supplies, approached Taipei, Tokyo, and Bangkok for rice and formally requested that the United States provide under the PL-480 program an immediate shipment of 32,000 tons of rice and an additional 150,000 tons after June 1972. US Embassy sources estimated that at present consumption levels, Cambodia's rice shortfall between now and next harvest could amount to between 75,000 and 115,000 tons.

26. The United States has, nevertheless, tentatively decided not to supply PL-480 rice this year. The decision is based in part on legislative and policy limitations on sales to exporting countries. Cambodia has officially exported all types of rice this crop year, a total of 35,000 tons from January through May, the latest month for which official data are

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available. The standard PL-480 agreement includes a prohibition on such exports. 3/

27. The US decision, however, does not preclude purchases of rice with US AID funds provided under the CIP. Cambodia's use of limited aid funds (or its own foreign exchange) to purchase rice would mean foregoing some other imports and would provide government officials with a strong incentive to implement the difficult and unpopular measures necessary to make rice available from present stockpiles and stimulate domestic production. PL-480 rice, on the other hand, because of the easy terms under which it is provided, would relax pressure on the GKR for implementing self-help measures.

28. One such measure, the removal of price ceilings on rice in Phnom Penh, would undoubtedly stimulate dishoarding, possibly of an amount sufficient to carry Cambodia into the next harvest. [REDACTED]

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[REDACTED] the existence of large stockpiles of rice in Cambodia. In early December 1970, before the most recent harvest was under way, [REDACTED] warehouses in and around Battambang were filled to about 50% of capacity with rice carried over from the previous harvest. Moreover, farmers at the time were estimated to be holding as much as 20% of the previous crop. As recently as July, a rice expert and major paddy merchant from Battambang commented privately that he believed there was sufficient paddy and milled rice stored throughout the province to supply both Battambang and Phnom Penh until the next harvest. [REDACTED]

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29. With respect to next season's harvest, it is still too early to make any firm predictions. Reporting, however, continues to be very pessimistic. While experience has shown that merchants tend to be overly pessimistic at mid-year (perhaps deliberately) about the coming season's crop prospects, some of these merchants report planting is as much as 50% behind schedule in Battambang. Following the last harvest, rice stocks accumulated in

3. On 12 June the Ministry of Commerce placed a ban on exports of ordinary rice and cargo rice and, on 9 July, extended the ban to include exports of rice flour. Exports of rice have dropped markedly since the ban but have not ceased entirely. As recently as 15 July, a ship departed Phnom Penh with 200 tons of an unspecified grade of Cambodian rice, probably a shipment against a contract entered into prior to the ban. There is no evidence, however, that Cambodia has exported rice for human consumption since June.

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Battambang warehouses because of truck shortages and interdictions on Route 5. As a result, private and government buyers reduced procurement, thus depressing paddy prices drastically at a time when labor costs were rising because of army recruitment and obstructions to the normal seasonal influx of workers into Battambang. In some instances, farmers caught in the price squeeze reportedly chose to let their rice rot on the stalk.

30. Planting is also said to have declined in the rest of the country. The government controls substantial portions of Cambodia's traditionally rice-surplus southeastern provinces, which continue to provide Phnom Penh with an indeterminate portion of its total rice requirement. 4/

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31. There is one optimistic note with respect to rice planting. [redacted] as the planting season progressed, rising prices induced some Battambang farmers who had earlier decided not to plant to attempt to grow a reduced crop. By late June, a spurt of late planting was reported, particularly in areas where early rain had not completely inundated the paddies. It is not known whether this trend continued, but transplanting is possible through the month of August. Still, the government has not raised procurement prices, and it will soon be too late in the growing cycle for such a move to have any appreciable effect on production. If pessimistic estimates of the next rice crop prove even close to being accurate, a very large volume of imports will be necessary in 1972.

Transport

32. Communist harassment of transport on Route 5, Phnom Penh's lifeline to the rich agricultural area of the northwest, was light during the first half of June but became more frequent during the last two weeks of the month. Enemy activity, consisting mainly of roadblocks, and truck and cargo theft, was concentrated along the 25-kilometer stretch extending northwestward from Kompong Chhnang.

33. Although fear of enemy attack was undoubtedly a factor, the sharp curtailment of truck shipments was laid primarily to increasingly heavy extortions by FANK troops manning checkpoints on Route 5. [redacted]

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4. Reports of smuggling into South Vietnam from this region have generally been exaggerated. Moreover, Communist policy regarding trade with the government zone has been neither uniform nor uncompromising. Rice, livestock, and other commodities each day reach markets in Phnom Penh and other urban centers from Communist-held areas.

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34. The government reacted quickly to the curtailment of supply movements to the capital. A Mixed Economic Committee, consisting of two brigadier generals and several high-level civilian transport officials, was formed and charged with coordinating the supply of foodstuffs and other essential items. 5/ The Committee quickly established a system of armed truck convoys, the first of which departed for Battambang on 30 June and returned to Phnom Penh on 4 July. By the end of the month, ten more convoys had made the trip.

35. The convoys have been highly successful. The first ten -- consisting of 1,255 trucks and 355 trailers -- reportedly delivered approximately 10,000 tons of rice, 6/ or an estimated two-thirds of Phnom Penh's monthly requirement. The convoys lost no trucks to enemy action and presumably precluded extortion at checkpoints, two factors which undoubtedly account for the increased willingness of rice merchants to make use of the convoys.

36. Some potential sources of trouble for future road convoys can be identified, however. Some portions of Route 5 -- particularly the stretch between Kompong Chhnang and Pursat -- are in poor condition and may deteriorate rapidly under the current high rate of use during the wet season. Furthermore, a section of the highway between Pursat and Moug often becomes flooded by the rising waters of the Tonle Sap in August and September. As the waters rise, however, it will become feasible to move rice from the Battambang area to Phnom Penh by barge, thereby decreasing reliance on the road. Insecurity hampered such attempts last year, but Cambodian naval elements may now be more capable of ensuring security on the lake.

37. The railroad, which has remained operable most of the time despite occasional enemy attacks, 7/ offers a second alternative to the

5. The Committee's area of responsibility includes the entire country, but its immediate focus was on Route 5.

6. Although rice was the principal cargo, vegetables, jute, livestock, and spices were also carried. Small volumes of petroleum products were transported in both directions.

7. Three trains were derailed by enemy explosives in June and July between Moug and Battambang and troops guarding the Moug railroad station and bridges were attacked on 22-23 July. The first derailment, which occurred on 4 June, disrupted service for three weeks, but the others were repaired in a few days.

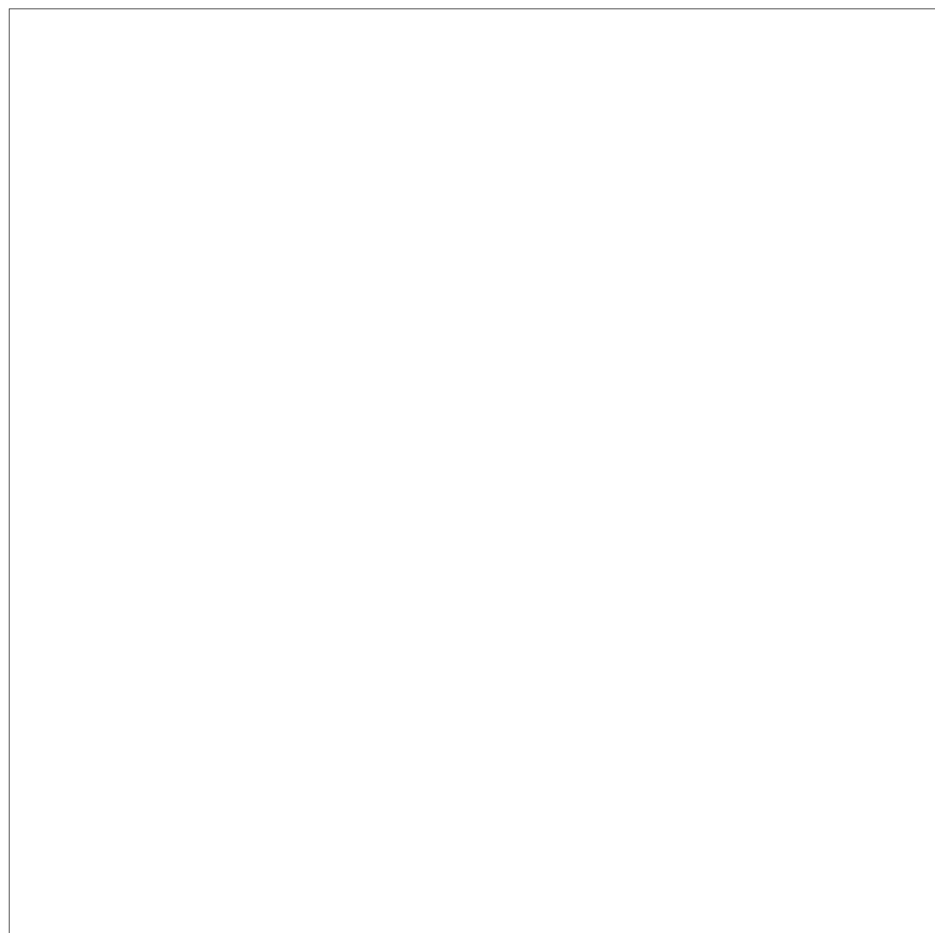
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section of Route 5 northwest of Pursat. 8/ Currently, there is daily train service from Pursat to Battambang and thence to the Thai border. Rice is moved to Pursat by rail from points northwest of Battambang city, but most of the rice currently shipped from Battambang to Phnom Penh is carried the entire distance -- about 280 kilometers -- by truck. The truck haul could be shortened by about a third by using the railroad for shipments to Pursat, but Cambodian officials claim this is not done very much because of the high cost of transloading, the scarcity of labor, and the limited transloading facilities at Pursat. Nevertheless, the sidings at Pursat (see the photograph) appear capable of handling a high volume of transloading should this become necessary.

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8. The Phnom Penh - Pursat segment of railroad has been out of operation since June 1970.

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38. Route 4, from Kompong Som to Phnom Penh, sustained only light traffic in the latter half of June and the month of July because of enemy harassment and interdictions. [REDACTED]

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[REDACTED] Khmer Communist bands in mid-June were taxing traffic a few kilometers north of Veal Renh. Tax rates on vehicles reportedly ranged up to 600 rials (about \$11), whereas taxes on cargoes ranged up to 1,000 rials (about \$18). Further north, explosives and mines damaged some bridges and sections of road, but repairs were quickly effected. Only two convoys were formed to move accumulated supplies from the Kompong Som port to Phnom Penh in June and July. The first consisted of 92 trucks, whereas the second included only 40. All traffic was interdicted on 20 July, when the enemy attacked elements guarding a major bridge about 35 kilometers west of the Pich Nil Pass and destroyed a span 20 meters long. The bridge was still out of service at the end of July, but repairs were under way. To the east, Kampot remained isolated to overland travel - for the third month - because of numerous destroyed bridges and control of surrounding roads by the enemy. Cambodian naval craft have been employed to move supplies into and out of the city. Outgoing shipments to Phnom Penh have included cement from the Chakrei Ting plant a few kilometers to the north. The plant was last reported to have virtually ceased operations because transport interdictions had resulted in overloaded storage facilities. Lack of bridging materials is preventing reconstruction of the bridge linking the east and west sides of Kampot that was destroyed by enemy action on 17 June.

39. Route 1, Phnom Penh's link to Saigon, sustained heavy traffic in June and July despite occasional mining incidents and an enemy interdiction a few kilometers east of Svay Rieng from 7 to 9 July. No ambushes of convoys were reported in July.

Petroleum

40. Petroleum deliveries to Phnom Penh increased sharply in June and July following a substantial expansion of the chartered fleet of petroleum carriers plying the Mekong. Deliveries in each month exceeded 16,000 tons, compared with a previous high of 11,300 tons, as shown in the tabulation below:

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<u>Period</u>	<u>Metric Tons</u>
<i>Total a/</i>	<i>80,000</i>
17-31 January	5,500
February	10,000
March	11,300
April	10,000
May	10,600
June	16,000
July	16,600

a. During the period, additional amounts of petroleum were trucked into Phnom Penh from Saigon, Kompong Som, and Battambang. A complete accounting of the shipments is not available, but their cumulative total is estimated to be on the order of 3,000 tons.

41. The Cambodians now have under charter approximately a dozen tankers and barges whose combined capacity is more than sufficient to meet Phnom Penh's essential requirements even if each makes only one delivery a month. Actually, all of the vessels are technically capable of making at least two deliveries a month to Phnom Penh from the petroleum depot at Nha Be in South Vietnam, but this performance level is not likely to be achieved without an expansion of discharge facilities at Phnom Penh, an extension of the layover time currently provided by convoy schedules, or an increase in the frequency of convoys. ^{9/} Nevertheless, Phnom Penh's petroleum reserves, which amounted to only 13% of capacity on 3 June, had been increased to about one-third of capacity by 30 July.

42. Deliveries have been sustained despite continued attacks on shipping. Four convoys drew enemy rocket fire in June and July, but only two ships were hit, incurring slight-to-moderate damage.

9. Armed convoys - under the coordinated protection of riverine, air, and ground elements - have been arriving at Phnom Penh about every eight days. After a 15-hour layover, escort vessels form another convoy and depart for South Vietnam. Few ships can complete offloading during the short layover, and most are forced to await the next convoy. The convoys are controlled by the South Vietnamese, who have rejected Cambodian requests that their frequency be increased.

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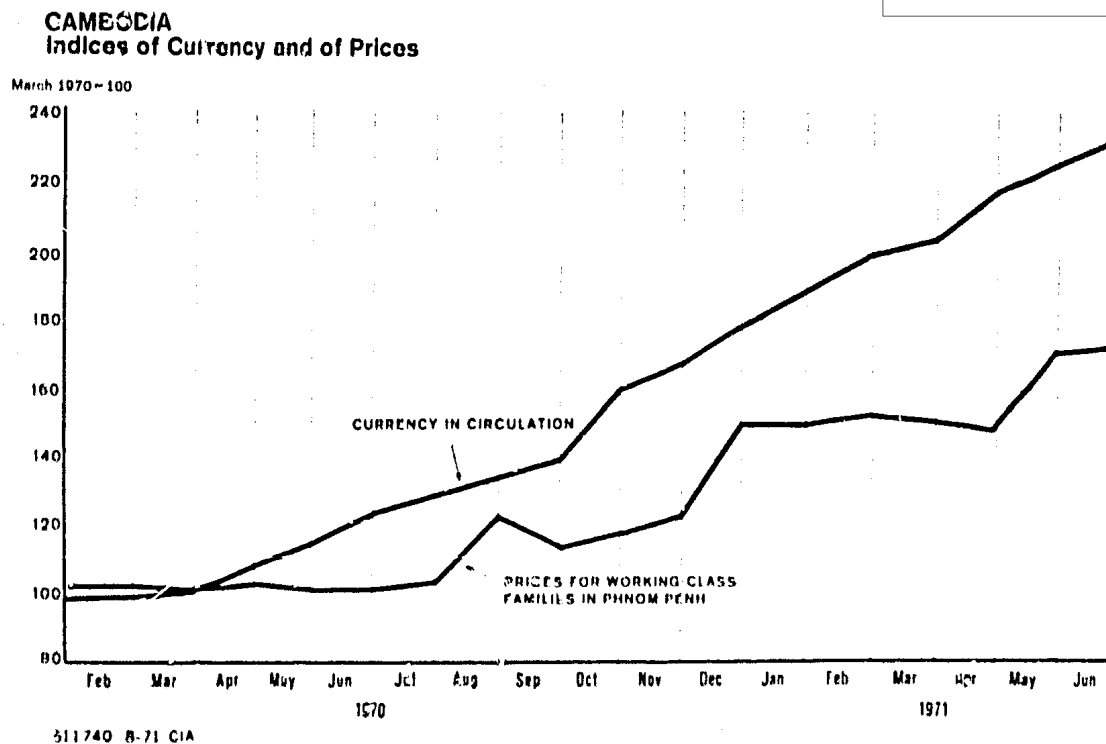
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43. In addition to the Mekong deliveries, relatively small volumes of petroleum - mostly aviation gasoline - have been arriving in Phnom Penh every few days in convoys of 15-20 tank trucks from Saigon. No petroleum has been delivered to the city via Route 4 from Kompong Som for several months. 10/ In the Battambang, requirements for most petroleum products are being amply covered by truck shipments from Thailand.

10. *Cambodian officials at the port of Kompong Som stated on 22 July that there were no plans to repair the Kompong Som refinery - damaged by fire resulting from an enemy attack in early March - before security in the area is improved.*

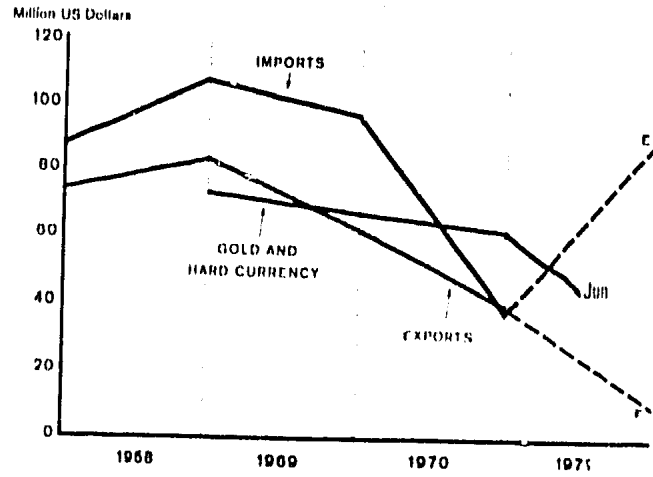
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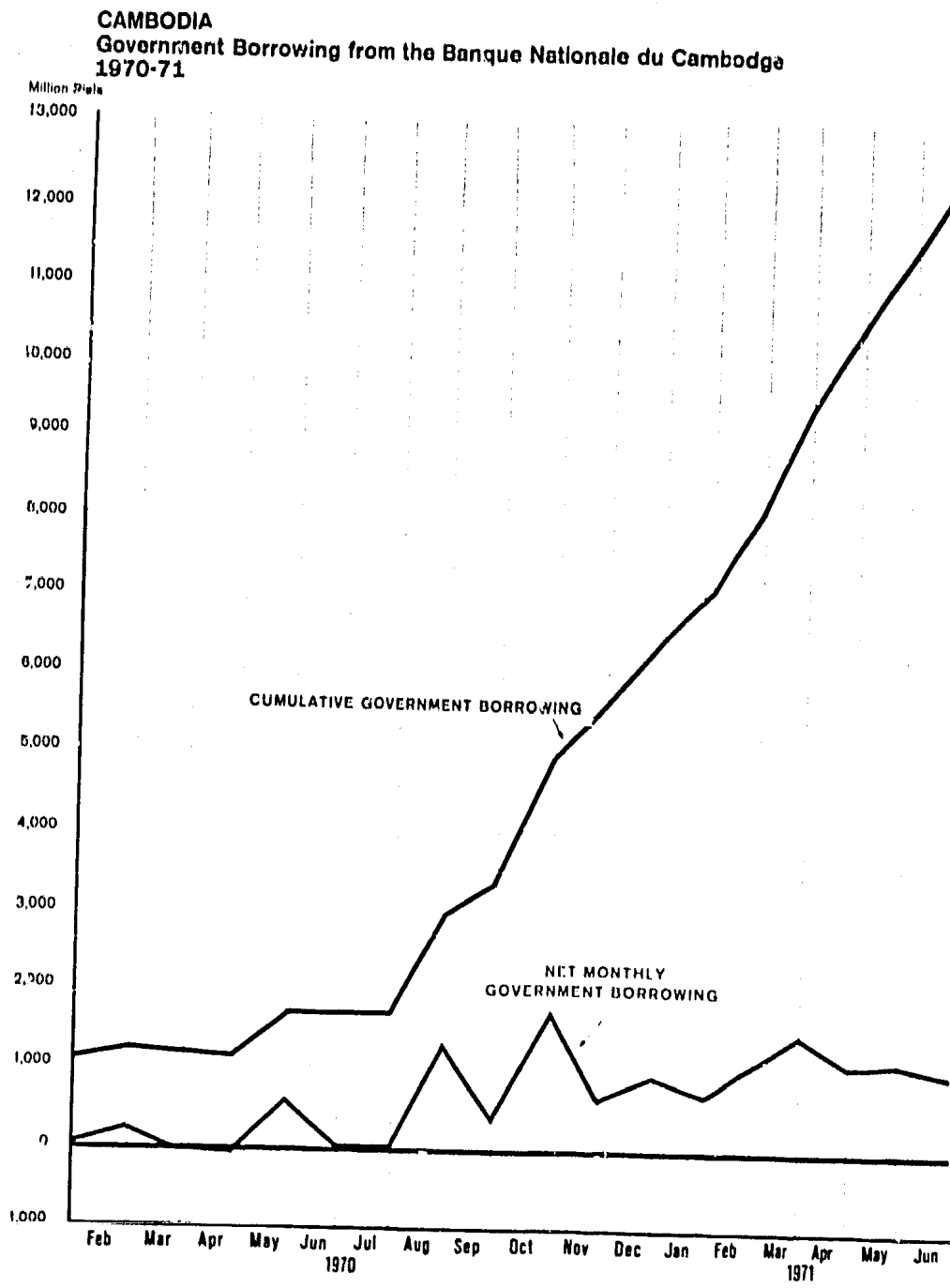
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CAMBODIA
Imports, Exports, and
Gold and Hard Currency Holdings



E - Official projection explicitly based on prospect of foreign aid
F - Official revised projection

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